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WASHINGTON, D.C. 20548

RELEASED

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JUN 27 1974

2 addresses

The Honorable Carl T. Curtis
United States Senate

R Dear Senator Curtis:

Enclosed is our report in response to your request dated July 25, 1973, that we inquire into the Navy's decision to consolidate certain reserve and manpower activities at New Orleans, Louisiana. We are also sending this report today to Senator Alan Cranston.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

Comptroller General
of the United States

Enclosures - 2

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NAVY'S DECISION TO CONSOLIDATECERTAIN RESERVE AND MANPOWER ACTIVITIESAT NEW ORLEANS, LOUISIANA

As Senators Carl T. Curtis and Alan Cranston asked, we inquired into the Navy's decision to consolidate certain reserve and manpower activities at New Orleans, Louisiana.

The decision was based on the Inspector General's review of the Naval Reserve and his recommendation to consolidate units and on the Chief of Naval Operations' (CNO's) order for a Bureau of Naval Personnel reduction in manpower.

As a result of the Inspector General's recommendation, Fort Omaha, Nebraska, and the Naval Air Reserve Command, Glenview, Illinois, were consolidated to form the new Chief of Naval Reserve at New Orleans. In addition, the Fourth Marine Air Wing Headquarters (at Glenview) will also be transferred to New Orleans because it depends on support from the Naval Air Reserve Command.

As a result of the CNO order, the following Navy and Naval Reserve personnel administrative activities will be consolidated and relocated at New Orleans.

- The Naval Reserve Manpower Center, Bainbridge, Maryland; Naval Officer Record Support Activity, Omaha, Nebraska; and related activities of the Bureau of Naval Personnel, Washington, D.C., will become the Naval Reserve Personnel Center (NRPC).
- Personnel Accounting Machine Installations for the Atlantic and Pacific Fleets and related activities of the Bureau of Naval Personnel in Norfolk, Virginia; San Diego, California; and Bainbridge, Maryland, will become the Personnel Management Information Center (PERMIC).
- Enlisted Personnel Distribution Offices for the Atlantic and Pacific Fleets and related activities of the Bureau of Naval Personnel, in Norfolk, San Diego, and Washington, D.C., will become the Manning Control Authority Agent.

We met with officials from the Offices of CNO and the Inspector General, Bureau of Naval Personnel, Naval Facilities Engineering Command, and the Naval Reserve to discuss details of these moves. We also reviewed numerous studies and supporting documentation.

ESTABLISHMENT OF THE CHIEF OF NAVAL RESERVE

Early in 1972 CNO asked the Inspector General to review the organization of the Naval Reserve and consider a more effective and efficient command structure within the total-force concept¹ of national defense. According to the Inspector General, his office was selected to make this review because of its independence and the impartial viewpoints it could provide.

On May 30, 1972, the Inspector General reported to CNO that, within the total-force concept of Reserve readiness for national defense, the fragmented air and surface commands should be consolidated into a single command structure reporting to CNO.

The report also recommended that a location in the central part of the country, preferably on the Gulf Coast for strategic purposes, would be best for the new Reserve headquarters. The Inspector General considered naval air stations at Atlanta, Dallas, Memphis, and New Orleans. In addition, the East Bank warehouse buildings in New Orleans were considered. The Dallas and Memphis Naval Air Stations were eliminated because of their advanced age and prohibitively high rehabilitation costs. The Atlanta Naval Air Station was considered inappropriate because it is on an Air Force base. The New Orleans Naval Air Station was rejected because the estimated costs for required construction were considered excessive.

The report favored the East Bank site because the buildings were on a Navy base, had abundant office space, and were near support facilities. In June 1972 CNO requested that the

¹The total force concept is a central part of the U.S. national security strategy. In effect since 1970, this concept provides that the Reserve Forces will be the first and basic source for backing up the Active Forces in an emergency and that Reserve units will be structured like active units.

Secretary of the Navy approve the establishment of the Chief of Naval Reserve in the New Orleans East Bank buildings. This approval was granted in November 1972.

ESTABLISHMENT OF THE
NAVAL RESERVE PERSONNEL CENTER
AND OTHER PERSONNEL ACTIVITIES

The decision to consolidate Navy and Naval Reserve related personnel activities was prompted by (1) the decision to remove personnel activities from the Naval Training Center in Bainbridge by June 30, 1974 (its proposed closing date), and (2) an April 1972 CNO order to cut personnel billets within the Bureau of Naval Personnel by 25 percent.

During the fall of 1972, a Bureau of Naval Personnel study group issued three reports to CNO about the proposed consolidation. The first report, issued in September 1972, recommended consolidating the Naval Reserve Manpower Center in Bainbridge, the Naval Officer Record Support Activity in Omaha, and related activities of the Bureau of Naval Personnel in Washington, D.C., into NRPC. The second study reviewed 21 potential sites and chose the Naval Support Activity, Seattle, as the site for NRPC. It also recommended establishing PERMIC at the same location. After an additional site was evaluated, a third report was issued in October which favored a privately owned facility in Laguna Niguel, California, which the General Services Administration (GSA) planned to acquire for Government use.

The Navy studies ranked Seattle and Laguna Niguel over New Orleans as potential sites for the consolidated activities. We noted that the Laguna Niguel facility was dropped from further consideration because (1) GSA was having difficulty obtaining control of the building within the time required to facilitate the move and (2) under new legislation the Navy would have to pay rent to GSA for this building. In commenting on our report (see enc. II), Navy officials stated that, once the Laguna Niguel facility was dropped, the advantages of collocating with the Chief of Naval Reserve militated against a recommendation of the Seattle location.

The Bureau of Naval Personnel studies did not consider consolidating the Enlisted Personnel Distribution Offices. However, the Bureau did coordinate plans in January 1973 to collocate the Enlisted Personnel Distribution Offices with the

previously announced consolidation. These offices are under the control of the respective Atlantic and Pacific Fleet commanders and are presently collocated with the Personnel Accounting Machine Installations which will comprise PERMIC. The fleet commanders believed collocation with PERMIC was the only effective way to maintain the level of service provided by these offices.

COST AND SAVINGS INVOLVED IN
THE NAVY MOVES TO NEW ORLEANS

Establishing the Chief of Naval Reserve, NRPC, and PERMIC and relocating the Fourth Marine Air Wing and the Enlisted Personnel Distribution Offices to New Orleans will cost an estimated \$20.4 million--\$13.6 million in military construction funds, \$4.7 million in relocation costs, \$1.5 million in urgent minor military construction funds (for which only Office of the Secretary of Defense approval is required), and \$0.6 million in operations and maintenance funds. Details of these cost estimates, which we did not verify, are shown below.

Military construction funds:		
Chief of Naval Reserve Headquarters	\$1,060,000	
Fourth Marine Air Wing	976,000	
Personnel activities (modification of buildings)	8,490,000	
Parking garage	2,323,000	
Design costs (6%)	<u>770,940</u>	\$13,619,940
Relocation costs:		
Personnel activities (movement of personnel and equipment)	3,900,000	
Chief of Naval Reserve	723,476	
Fourth Marine Air Wing	<u>116,000</u>	4,739,476
Urgent minor military construction funds:		
Elevators and entrance	298,000	
Communication center expansion	231,000	
Rooftop helicopter landing	217,000	
Small boat berthing for ferries to East Bank	298,000	
Parking for boat ferry, West Bank	94,000	
Cafeteria alterations, East Bank	260,000	
Design costs (6%)	<u>83,880</u>	1,481,880
Operations and maintenance funds:		
Paint exterior of East Bank office buildings	388,000	
Renovate flag quarters	<u>159,200</u>	547,200
Total		<u>\$20,388,496</u>

Navy officials have informed us that, besides the above costs, they will incur indirect costs of \$417,000 because other projects are being deferred to allow for immediate construction of the Chief of Naval Reserve and Fourth Marine Air Wing facilities.

Over the next 5 years the Navy plans to spend approximately \$39.5 million in military construction funds for other projects in the New Orleans area. Of this amount we have identified \$12.1 million for projects that have changed in scope and/or size because of the two moves. We did not determine how much of the \$12.1 million was directly related to the moves.

Reconciling these costs to earlier Navy cost estimates of \$687,000, identified in the Inspector General's study for the Chief of Naval Reserve, and \$4.47 million reported in the Bureau studies for personnel activities is difficult because (1) the cost of moving the Fourth Marine Air Wing and the Enlisted Personnel Distribution Offices had not previously been considered, (2) cost estimates were computed by different Navy organizations using different estimating procedures, (3) the urgent minor military construction projects had not previously been identified, and (4) there was a lack of documentation supporting the Navy's decision.

The Navy informed the Congress during the fiscal year 1974 military construction hearings that the move to New Orleans could not be justified on the basis of economy but that \$2.3 million would be saved annually as a result of the two moves, regardless of the location chosen for the consolidated organizations. The savings consist entirely of salary costs related to reducing the number of billets in the Chief of Naval Reserve by 89 and in NRPC and PERMIC by 210. According to the Navy, no additional savings will result from relocating the Enlisted Personnel Distribution Offices or the Fourth Marine Air Wing because no jobs are being eliminated. A full economic analysis of the cost of operating at each of the activities' new and past locations would have given a better indication of whether actual savings would have been realized.

In commenting on our report, Navy officials agreed with our findings and emphasized that New Orleans offered the advantages of an early move and collocation of the personnel administrative activities with the Chief of Naval Reserve.

STATUS OF CONSOLIDATION AT FEBRUARY 1974

The Chief of Naval Reserve began operations in New Orleans in February 1973 and is now fully operational. The Fourth Marine Air Wing is to be fully operational in New Orleans by July 1, 1974.

The Navy's present timetable calls for NRPC and PERMIC to become fully operational at New Orleans by July 1, 1975. The Enlisted Personnel Distribution Offices will also be collocated in New Orleans by this date.

Construction of space for the Chief of Naval Reserve is nearly complete and space for the Fourth Marine Air Wing is expected to be finished by July 1974. Building design plans for renovating the personnel activities portions of the East Bank buildings and the parking garage have been completed. Contracts were expected to be awarded by April 1974.



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT)
WASHINGTON, D. C. 20350

NCD3

25 APR 1974

Mr. F. J. Shafer
Director, Logistics and
Communications Division
U. S. General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Shafer:

The Secretary of Defense has asked me to reply to your letter of 5 March 1974 which forwarded the draft report on your review of the Navy's decision to consolidate certain reserve and manpower activities at New Orleans, Louisiana (OSD Case #3786). I am enclosing the Department of the Navy reply.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. D. Neesen".

R. D. NESEN
ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT)

DEPARTMENT OF THE NAVY REPLY

to

GAO Draft Report of 5 March 1974

on

Review of Navy's Decision to
Consolidate Certain Reserve and
Manpower Activities at New Orleans,
Louisiana. (OSD Case No. 3786)

Summary of GAO Findings and Recommendations.

While no findings or recommendations as such were proffered in the GAO draft report, five areas of commentary are of concern to the Navy and each is summarized below:

1. GAO states that Navy rationale concerning how the Gulf location of the CNAVRES Headquarters serves strategic purposes has not been provided.
2. GAO noted that Navy studies ranked Seattle and Laguna Niguel over New Orleans as potential sites for the consolidated Naval Reserve Personnel Center (NRPC) and the Personnel Management Information Center (PERMIC). GAO does not have information on the choice of New Orleans or reasons for dropping the Seattle location.
3. GAO cited a February 1973 CNO memorandum requesting the Secretary of the Navy's approval to move Personnel Administrative Activities to New Orleans. The author of the February 1973 memo, his source of information, and the fact that the information was not retained are also discussed.
4. The GAO report notes that the Navy stated that savings will be achieved as a result of the move to New Orleans. GAO does not question the savings attributable to the reduction of the 89 billets in the Chief of Naval Reserve but believes the 210 billet reduction was primarily the result of the directed 25 percent reduction which made this consolidation necessary. GAO believes these savings are not necessarily related to location at New Orleans.

Enclosure (1)

5. GAO states that the Enlisted Personnel Distribution Offices for the Atlantic and Pacific fleets and Reserves also located in Norfolk, Virginia, San Diego, California, and Washington, DC, would become the Manning Control Authority Agent.

Summary of Department of the Navy Position.

While the Navy agrees in general with the GAO findings in the draft report, certain positions stated need further clarification in the interest of strengthening factual accuracy.

1. With regard to the Navy rationale as to the strategic value of a Gulf Coast location, specific information is included in the Navy Inspector General's report cited by GAO. That report establishes the interdependence of strategic value and full mobilization and is quoted as follows:

"I further believe that the Gulf Coast section of this central area is the most ideal location available. Why? The most rudimentary study of our continental defenses shows a weakness along the Gulf Coast, a weakness that is virtually a vacuum--and one which was highlighted by the penetration of the Louisiana coast by a Cuban transport aircraft in 1971. Also, in both 1970 and 1971, Soviet surface units made excursions from Cuban ports into the Gulf of Mexico to within a few miles of our coastline. I am not suggesting that the mere presence of a combined Reserve headquarters at a coastal location would deter the enemy. As proposed in the unpublished, undated CNT Staff Study No. 1, however, doublehatting the Reserve commander with a task organization designator (CTG 81.X per the Staff Study) would provide a LANTFLT flag officer near the Gulf scene and one whose primary tactical and/or contingency missions would be in the area of his "business-as-usual" Reserve headquarters. Upon full mobilization of the Reserves, he could devote his entire effort to direction of such forces as are at his disposal. In this regard, I am in full concurrence with Vice Admiral Cagle. In recommending a location for the proposed combined Reserve staff, the above consideration appears significant."

2. As noted in the GAO report, the second of three Bureau of Naval Personnel studies submitted to the CNO on

Enclosure (1)

consolidation recommended Seattle as the location for the Naval Reserve Personnel Center (NRPC) and the Personnel Management Information Center (PERMIC). The third study recommended a privately owned facility in Laguna Niguel, California in preference to Seattle. Subsequently, Laguna Niguel was dropped for the reasons cited in the GAO report. The advantages of collocation with the Chief of Naval Reserve militated against a reconsideration of Seattle.

3. With regard to information on who prepared the memorandum on considerations for relocation, the Navy does not consider this issue to be relevant inasmuch as the drafter merely documented the Chief of Naval Operations' decision. A summary of considerations is contained in the cited 20 February 1973 memorandum from the Chief of Naval Operations to the Secretary of the Navy.

4. Observation regarding the 210 billet reduction is correct. The Navy agrees that the New Orleans location will not likely provide any significant additional savings above the contribution to the 25 percent reduction of headquarters personnel. However, New Orleans offered the advantages of an early move and collocation with the Chief of Naval Reserve.

5. The word RESERVES in the second line of Page 2 should be replaced by the acronym BUPERS. A small contingent in the Bureau of Naval Personnel handles the distribution of enlisted personnel in the continental U.S. This group is intended to collocate with EPDO LANT and EPDO PAC.

Enclosure (1)